Reduction in time period for deposit of service tax

3998. SHRI VIJAY J. DARDA:
SHRIMATI MOHSINA KIDWAI:

Will the Minister of FINANCE be pleased to state:

(a) whether Government have recently reduced the time period of deposit of service tax from the 15th of the month/quarter to the 5th of the next months/quarter in case of firms/companies;

(b) if so, the details and the reasons therefore;

(c) whether Government are aware that particularly small firms find it difficult to consolidate their accounts and pay tax by the 5th of the quarter when generally out of these five days one or two are holidays;

(d) if so, the remedial steps proposed; and

(e) if not, the reasons therefor?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI S.S. PALANIMANICKAM): (a) to (c) Prior to 1st April , 2005 service tax was payable on the value of taxable services received during any calendar month by the 25th of the month immediately following the said calendar month. However, where the assessee was an individual, proprietary firm or partnership firm, service tax was payable by the 25th of the month immediately following the quarter in which the value of the taxable services was received. With effect from 1st April, 2005, the time period for payment of service tax was specified as 5th of the month following the calendar month or quarter, as the case may be, in which the payments are received towards the value of taxable services. Service tax already collected during the months or quarter is to be deposited with the Government within a reasonable period. Extending the date of payment affects the Government's cash flow and has an impact on interest burden. The period prescribed is considered as adequate ;

(d) and (e) In view of (a), (b) and (c) above, does not arise.